The 'huckster' image—The debate begins

Special Section: Sales meetings get down to business

S&MM

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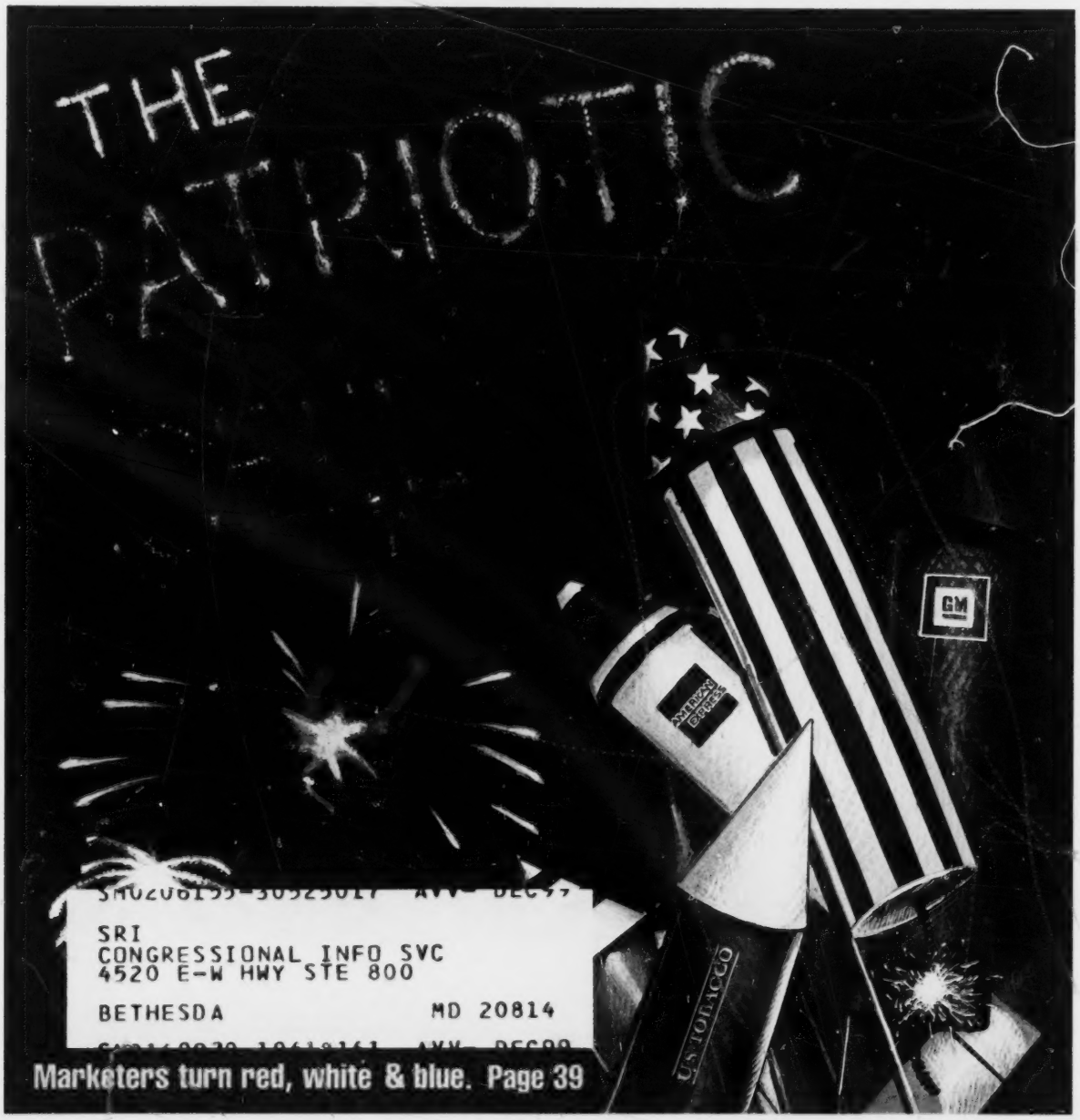

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Marketers turn red, white & blue. Page 39

S&MM

JULY 2, 1984

CONTENTS

MARKETING MANAGEMENT

20 Advertising
Gatorade's second wind

20 Bartering
Business without cash or middlemen

21 Product positioning
Not the sounds of silence

21 Coupons
Val-Pak's Plus is ESP

24 Buyer relationships
The "short reach" of industrial salespeople

24 Survey preview
Survey introduces data on two new metros

26 S&MM Salesgraph
Consumers pick their products

SALES MANAGEMENT

28 Sales organizations
The team spirit at BMC Industries

29 Sales organizations
Salespeople who never were

30 Sales training
A stickler for product knowledge

31 Incentives
Everyone a winner

FEATURES

43 Computervision fights to stay No. 1
Its market share down sharply, Computervision hunts for partners in the CAD/CAM industry it once dominated.

COVER: The nation's youth show more patriotism than in years, and marketers are using the theme in ads and promotions. It's called The Patriotic Sell. Page 38.

49 How a black woman made it in industrial distribution
Thirty-four-year-old Geraldine Young started her company with $20,000 in inventory and a lot of determination.

53 The "huckster" image: The debate begins
S&MM readers express their views about whether or not the "salesman as pitchman" image is deserved.

SPECIAL SECTION

59 Sales meetings: Getting down to business
- Four big days with Winning Ways
- How Toyota revs up its dealers
- Master Lock risks a national meeting
- Communicating with a flip of the chart
- Just the right climate for Fred's
- A cure for the last-minute crunch
- Trips pay off for Panasonic and Apple
- Check things out before the meeting

NEWSLETTERS

36 Industrial newsletter
139 International newsletter
35 Marketing newsletter

DEPARTMENTS

143 Advertisers' index
130 Books
57 Changes in the news
120 Computer in sales & marketing
32 Corporate travel
16 Demographics in action
116 Ideas you can use
12 Jaundiced eye
10 Letters to S&MM
56 Marketers, et cetera
140 On the road
6 Publisher's call report
23 S&MM Predicts
15 S&MM Viewpoint
142 Sales mart
125 Sales promotion
128 Sales strategies
144 Significant trends
149 Worth writing for

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ABP ABC VBPA ABC

How the affluent get their kicks

You come in. You find your seat. The crowd is slightly restless. The buzz of polite conversation rises and fills the room. You look around and see smartly dressed women, men in suits and ties, and over there three elderly women—grandmotherly types—quiet, respectable. Definitely an educated, well-moneyed group. Why are they here? A Broadway opening? A sneak preview? A PTA meeting?

Try PKA. This was the scene at the Professional Karate Assn.'s International Team Competition at New York City's Felt Forum. Full-contact karate. Fists. Blood. Brain-jarring kicks to the head and body. What are these people *doing* here? Have they lost their sense of decorum and decency? Now the three grandmothers are up on their feet and chanting, "Anthony. . . . Anthony. . . . Anthony!"

So you want to know what's new in the world of sports today? Esthetics. The beauty of refined movement. That's why many of these people are here tonight, says PKA chairman Judy Quine. Tuesday the ballet, Wednesday full-contact karate.

"There is a certain esthetic quality to it," says Quine, "and that's why almost 30% of our fans are women." As a matter of fact, when one looks at the demographics of this fast-rising sport, it is the figures on women and income groups that are the most surprising. Of course, viewer data on males from Nielsen are not too bad either. Viewers-per-100-viewing-households for PKA karate are consistently in the 97 to 100 range for all males, and are well ahead of virtually all other sports in the 18 to 49 age groups. Golf, for example, charts at around 45 viewers per 100 households, with PKA showing a 73 for this same age segment. Add to this the fact that 41% of the households viewing this sport show incomes above the $30,000 mark, and you begin to see the possibilities.

On cable TV's Entertainment & Sports Programming Network (ESPN), PKA karate has the unique distinction of being the longest-running series in the five-year history of the company, pulling an average of 2 million viewers weekly.

In search of sponsors

"It's attracted quite a following," says ESPN's director of advertising and sales, Bob Jeremiah, "Of course, we like to think we've contributed to its popularity through the coverage we've given it."

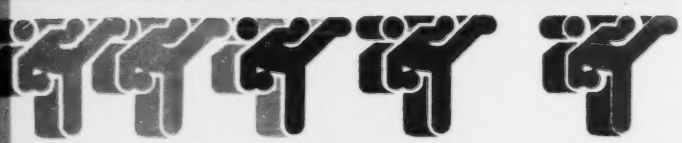
In addition, American Broadcasting Co.'s recent acquisition of ESPN should help improve PKA's chances of reaching the upscale markets it seeks, a fact not lost on some of the big-name advertisers approached by Joe Corley, PKA's executive vice president and chief coordinator. Corley, himself a blackbelt and former PKA competitor, notes that awareness of the sport is growing steadily, and he is beginning to get some real interest from potential sponsors looking to reach the type of audience that PKA draws. In recent bouts, U.S. Tobacco's Skoal, Anheuser-Busch's Bud Light, and Coors all have been visible in their support of PKA, and Coors has just signed two PKA stars to personal service contracts.

"I used to think of it as a phenomenon," says Corley, "but not anymore."

His sentiments are echoed by Jeremiah, who believes, as does Corley, that the popularity of PKA karate is a logical extension of the huge interest in the martial arts in recent years, both here and overseas. He points out that there are presently 10 million people actively involved in karate and other martial arts across the U.S., and for them, it's "not just competition, it's a form of conditioning, it's a part of their lifestyle."

For marketers, the thought of 10 million potential buyers, especially with the impressive demographics PKA generates, should be enough to get them into the ring. Will PKA karate be the next big thing in sports? Is it the successor to running? Or will it be the next roller derby? Only time, and support from sponsors and consumers, will tell.

By Richard Kern,
Editorial Director, S&MM Surveys



As seen by the Survey: Markets with punch

Affluent markets with PKA viewer potential

(Household income $30,000 + /18–49 population 45% or more)

Metro Area	Median Hshld. EBI	% Of Pop. 18–49
Nassau-Suffolk, NY	$35,148	46.8%
Lake County, IL	32,901	50.7
Middlesex-Somerset-Hunterdon, NJ	32,249	49.4
Anchorage	32,123	59.5
Bridgeport-Stamford-Norwalk-Danbury, CT	31,522	45.8
Brazoria, TX	30,942	52.5
San Jose	30,570	53.4
Midland, TX	30,364	48.9
Anaheim-Santa Ana	30,126	52.2
Joliet, IL	30,123	49.0

Source: *Sales & Marketing Management's 1983 Survey of Buying Power.*
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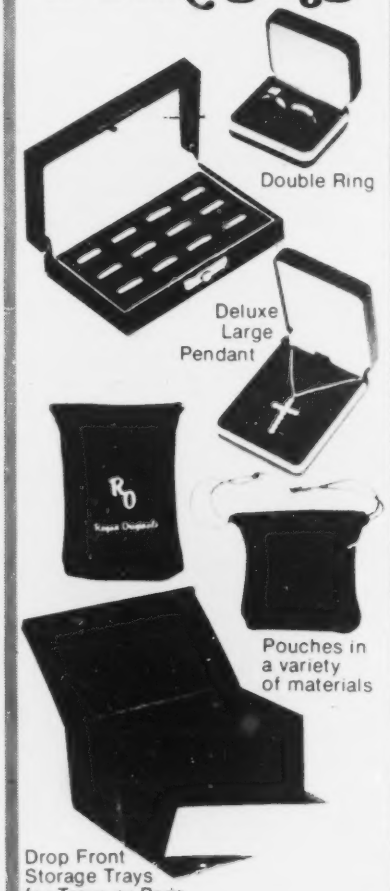

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Not only does "every piece of evidence seem to show recall is unrelated to the 'favorable attitude' which must precede a sale," he said, "but implicit in most readership surveys is that all readers are equally valuable." Present attempts to define markets remain "careless and sloppy," he said.

To illustrate the importance of selecting the correct media to reach a specific market, Manville quoted Richard Potter, former vice president of the direct marketing agency Wunderman Ricotta and Kline/West, Los Angeles. Used to spending $20 million on advertising a year, Potter found, according to Manville, that improved copy raises response by 50%, a better format by 150%, and a more attractive offer by 300%. But the correct choice of a media list improved response by a whopping 1,000% or more, it was discovered.

S&MM SALESGRAPH

Consumers pick their products

The multi-unit household will emerge as an important factor this year in the booming personal computer (PC) and videocassette recorder (VCR) markets. Among those planning to buy such equipment, 13.5% will be purchasing their second VCR, 11.8% their second PC, a survey by Industrial Marketing Research (IMR), Hinsdale, IL, notes.

Based on a mail survey of 5,500 households (to be expanded to 20,000 in future IMR polls), and covering more than 150 products and services, the report shows that the five most popular items in consumers' buying plans are camera film, to be bought by 48.2%; telephones, 31.0%; out-of-state vacations, 29.8%; color TV, 21.0%, and blank audiocassettes, 20.6%.

Copies of the report, which includes detailed demographic and socioeconomic breakdowns, are available from IMR, 501 W. Ogden Ave., Hinsdale, IL 60521; 312-654-1077.

Profile of would-be buyers

	Annual Family Income % Planning To Buy						
	Under $10,000	$10,000–$14,999	$15,000–$19,999	$20,000–$24,999	$25,000–$29,999	$30,000–$49,999	$50,000 & Over
Personal computer	6.0%	5.9%	7.1%	8.7%	11.5%	13.6%	17.5%
Videocassette recorder	6.1	8.0	10.9	11.6	10.1	13.1	18.5

	Age Of Household Head % Planning To Buy					
	Total Hshlds.	Under 30	30–39 Yr. Old	40–49 Yr. Old	50–59 Yr. Old	60 & Yr. Old
Personal computer	9.4%	11.6%	14.1%	12.8%	8.0%	2.9%
Videocassette recorder	10.3	17.0	15.5	11.2	7.0	3.2

	Type Of Purchase			Type Of Household		
	First Time	Replacement	Extra Purchase	Family	Single Male	Single Female
Personal computer	82.3%	6.0%	11.8%	73.9%	11.6%	14.6%
Videocassette recorder	82.4	4.2	13.5	67.0	16.2	16.9

Note: Details may not add to 100% due to rounding.
Source: Industrial Marketing Research, *Continuing Consumer Intent to Buy Survey*
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Sales & Marketing Management

Computervision fights to stay No. 1

A troubled computer marketer looks for partners to help keep it in step with the CAD/CAM industry it once dominated.

By THAYER C. TAYLOR
Senior Editor Management Sciences

Pride goeth before the rise.

So hopeth Computervision, the once-dominant player in the $1.7 billion CAD/CAM (computer-aided design and computer-aided manufacturing) industry whose market share has skidded from 41% in 1980 to 23% in 1983 (see chart, page 45) and whose operating margins have plunged from 21.3% to 13.5% in the same period. Of course, some of the share loss was inevitable as the number of competitors mushroomed fivefold, from 20 to 100, in the same time frame. Still, the fall from grace has been such that analysts who maintain market share scorecards say IBM will topple the company from its first-place slot this year if it did not already do so last year.

Computervision president James R. Berrett traces the slide to the company's traditional role of trying to be a vertically integrated turnkey vendor. "By attempting to do everything on our own," he says, "we sapped resources from what we're very good at, namely, applications software."

Industry observers say the malaise has deeper roots and point to the company's failure to keep ahead of the industry's newer emerging trends. When Intergraph, Huntsville, AL, fielded the industry's first second-generation 32-bit computer, for example, Computervision missed the target introduction date of its own version, the CDS 4000, by more than a year (S&MM, Jan. 16, 1984).

For another, the company was caught short by a user shift from centralized turnkey systems, its bread and butter, to distributed processing systems that put computer power on the professional's desk. Merrill Lynch vice president Thomas P. Kurlak, addressing a recent Frost & Sullivan seminar, noted that his annual CAD/CAM user survey revealed that "users of turnkey systems indicated overwhelmingly that slow response time was an important problem and one of the reasons why they preferred some other system."

Furthermore, the Bedford, MA, company missed out on the indus-

Marketing chief Chiasson's new motto is "Come market with me."

try's fastest-growing segment, the CAE (comupter-aided engineering) workstations created by a flock of venture capital start-ups such as Daisy Systems, Mentor Graphics, and Valid Logic. Sales of the units exploded from $18 million in 1982 to $80 million in 1983 and are expected to soar to $225–$240 million this year, says James R. Love of Lehman Brothers Kuhn Loeb.

If Computervision was slow in responding to the new threats, it's now seeking to reverse its market slide by shedding its operating philosophy and fashioning new product and sales strategies. As Peter A. Chiasson, vice president and general manager of the marketing division, puts it: "We've changed our corporate philosophy and the way we view our marketplace. We know we can't do it all by ourselves, and where others have better resources in certain areas, we'll take advantage of that. In our expanded view of the marketplace, we'll serve it all the way from the front end, the conceptual design stage, through to the management and control functions of the entire process flow."

As part of its new marketing thrust, Computervision in the past several months has:

- Taken a direct aim at the fast-growing CAE workstation market, making an original-equipment-manufacturer (OEM) agreement with Sun Microsystems, Mountain View, CA, for its own line of desktops (CDS 3000).
- Signed an agreement with IBM to use that company's 4300 series computers for a system (CDS 5000) that, Chiasson claims, will be an industry first in integrating all computer-aided engineering, design, and manufacturing operations and linking them to the corporate data-processing function.
- Acquired three software companies: Cambridge Interactive Systems (CIS), Cambridge, England, known for its mechanical design packages; Grado Software und Computer Systeme GmbH, Munich, West Germany, known for its electronic packages; and Organization for Industrial Research (OIR), Waltham, MA, a leader in group technology and process planning programming.
- Restructured the sales force to exploit the new product strategy and target specific customer/prospect groupings.

Fielding three CAD/CAM computer systems will take some doing. "While all they have done so far is promise new products," says Charles M. Foundyller, president of Daratech, Inc., a Cambridge, MA, market researcher specializing in the CAD/CAM industry, "it appears that Computervision wants to be the first company to cover the entire spectrum from low-cost workstations to extremely expensive systems. Also, their CDS 5000 amounts to a new class of CAD/CAM product, the only one with data-base management. Several other companies are looking at the idea, but no one sells it in prepackaged form at the moment."

'We sapped resources from what we're very good at, namely, applications software.'

—President Berrett

Because the new products won't be shipped in volume until the fourth quarter, their contribution to 1984 revenues will be minimal. Even so, marketing chief Chiasson is confident that they'll stem the company's market share erosion to less than a point this year and trigger an increase in 1985. As a result, he sees the company retaining its hold on first place, with a 22%–23% share, despite IBM's surge.

"Analysts do double-counting in the way they calculate IBM's share," he insists, "because they don't know what portion of mainframe goes for payroll, for example, and what portion is for CAD/CAM. While we've seen estimates of IBM's 1983 CAD/CAM shipments that range from $332 million to $350 million, we believe they did less than $300 million."

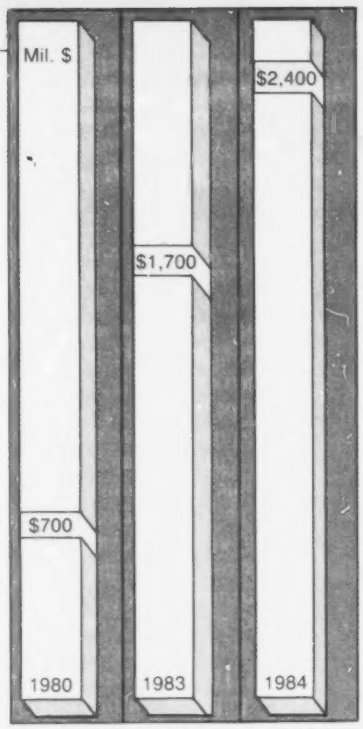
Regardless of their impact on market share, the new products give Computervision something it has lacked for some time, a competitive edge. "The key to the new products is the ability to share data bases," says Lehman Brothers' James Love. "The data-base sharing characteristic is relatively unique in the industry and gives Computervision a competitive edge."

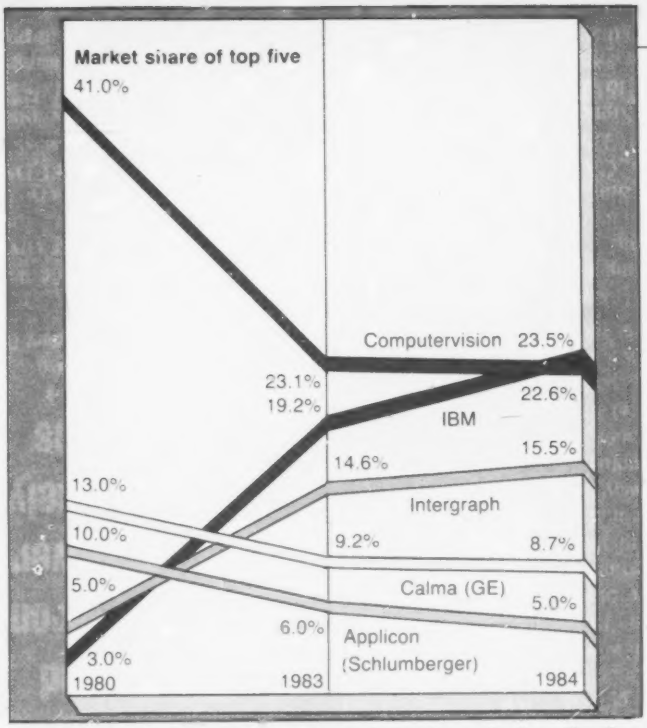
Chiasson thinks the IBM-based CDS 5000 gives him a market niche where he'll enjoy one to two years lead time over competitors. One reason why Computervision sought the IBM tie-in is that approximately half of the data stored on Big Blue's computers around the world are said to be engineering related. As users integrate such data with corporate information systems in the factory-of-the-future, they'll tend to favor IBM's CAD/CAM units or a vendor with links to that company's mainframes.

Other CAD/CAM vendors are wooing IBM for similar tie-ins. General Electric's Calma subsidiary is believed to be next designated value-added remarketer of the 4300 series.

Only 20% really new

Chiasson sees the CDS 5000 making inroads in the engineering design market because of its ability to store and manipulate graphic as well as nongraphic data. "Actually, 80% of new product design is a modification of an existing design," he says. "The problem is that the engineer doesn't know that





Amidst flourishing CAD/CAM industry sales . . . Computervision's grip is slipping

when he starts his product. The software OIR will develop for the CDS 5000 will enable him to pull together all of the designs done in the past and see which ones most closely resemble the new product he is working on."

Computervision president Berrett stresses that the IBM deal is not a one-sided affair. "They had the data-base management systems (DBMS) capability and a commitment to upgrade that we wanted," he notes. "We had the alternative distribution channel they wanted for their product."

Indeed, Computervision has already taken steps to shape the arrangements to its needs. "We've asked them for specific changes in their SQL query language, which is very good for transmitting small files but not very good for large files," Chiasson discloses. "They have agreed and we'll end up with an SQL tailored to CAD/CAM as opposed to the general DBMS query language they have today."

Sales of the IBM-based CDS 5000 will be positioned against Computervision's installed base, which, according to Richard Krieger, vice president and chief financial officer, tops $1.25 billion. "By and large, it will be a popular add-on product for customers with a number of CAD/CAM systems in place," says Chiasson. "It will appeal especially to our larger accounts because it's the only data-management system customized for CAD/CAM."

Along with hardware improvements, Computervision is also moving to bolster its software strengths. As president Berrett told a recent Frost & Sullivan seminar: "There is a need for open systems architecture—the ability of customers to tailor their systems' capabilities through additional software packages written by themselves or acquired through third parties. Application software will be the driving force in the expansion of the CAE/CAD/CAM industry."

To make sure Computervision does its share of the driving, the company's acquisition program is guided by three factors. They are, says Chiasson, "First, expertise in a particular discipline. Second, software for migrating the user to our products. Third, an opportunity to sell software independent of hardware."

The three acquisitions Computervision made so far were completed with future needs in mind. OIR will design the software for the CDS 5000, CIS and Grado for the CDS 3000.

Furthermore, Berrett discloses that Computervision recently made third-party agreements with 20 other software developers. Another 80 to 100 outfits are being considered, Chiasson adds, as candidates for partnership agreements, acquisitions, or some kind of joint marketing efforts.

Wooing third parties as well as selling software independent of hardware is "smart strategy," says Susan McGarry, an analyst with the Yankee Group, a Boston market research company. "Originally, the turnkey vendors chose how the user would configure their packages," she says. "Now, with the increasing number of third-party software packages that are good for certain applications, the user has gained more control. Hence, Computervision is smart in giving the user more software options."

Although Computervision banks on the new products to restore its winning ways, its prospects are clouded by memories of the long delay that marked its response to the 32-bit challenge when the CDS 4000 did not appear until a year after it was promised. Thomas D. Henwood, analyst with First Boston, New York City, notes that "our last CAD/CAM user survey reveals that Computervision must

regain customer confidence as a result of the problems" associated with past product delays. "Sixty percent of the respondents say they don't understand Computervision's product strategy," he says. "This tells us the company has a lot of customer education ahead of it."

Recent problems at Sun Microsystems, Computervision's new OEM partner, heighten such fears. "Computervision's dependence upon Sun may be a risky proposition in view of the company's limited operating history and recent management shifts," warns Merrill Lynch's Kurlak. "Also, it's been very difficult for CAD/CAM companies to support more than one computer architecture in a product line effectively. At the same time Computervision is attempting to support its own 16-bit architecture and its own 32-bit CDS 4000 based on a proprietary operating system, they're supporting the IBM 4300 mainframe and the Sun Unix-based workstation."

A different viewpoint

Disagreeing, Lehman Brothers' James Love counters: "The recent production problems and management changes at Sun are not expected to have a negative impact on Computervision. The management shift—the president resigned, replaced by one of the founders—is inconsequential to Computervision. Production problems are related to yields in the monitors Sun buys rather than to flaws in the overall system design. We're confident Sun will ramp up production capacity in time to deliver larger amounts by the fourth quarter when Computervision plans to start volume shipments."

In any event, Computervision seems to be hedging its bets on Sun. Last month, it formed a joint venture with Metheus Corp., a three-year-old Hillsboro, OR, start-up, for developing and marketing electrical CAE workstations. Although Metheus has a majority interest in the venture initially, Computervision has the option to acquire the company in three years.

'In our expanded view of the marketplace, we'll serve it all the way from front end to process control.'

—Marketing chief Chiasson

To ensure the success of its new product strategy, Computervision has overhauled its selling strategy. Chiasson says "so that we will now focus on the specific needs of classes of prospects." Six industrial groups have been targeted which, he adds, account for 70%–80% of the CAD/CAM market.

Called Strategic Business Units, the six are: (1) mechanical machinery, (2) fabricated metals, (3) aerospace, (4) automotive, (5) architecture/engineering/construction (AEC), and (6) electrical/electronics. The purpose of the groupings, he explains, is "to facilitate the development of industry-specific solutions and sales support."

The sales organization consists of the general sales force that sells everything to the six categories and a sales support staff made up of specialists for each industry group. Dedicated sales forces will be spun off when "it makes sense," Chiasson says. One such unit has been created for the AEC group.

To reinforce the industry targeting, three new vice presidents were appointed, all of whom report to Chiasson. One heads groups 1 through 4, while groups 5 and 6 each have their own vice president. Each vice president has his own product development and marketing staffs.

The sales force is in the process of being doubled and should count close to 200 people by year's end. Along with the expansion, there has been a shift in recruiting emphasis.

"Traditionally, we looked for well-seasoned salesmen with a technical background," Chiasson says. "Now, we're reaching more for college grads with an engineering or computer science degree who have had some selling experience."

Computervision started a comprehensive training program to make CAD/CAM salespeople out of the recruits. Following six weeks of basic on-location training at the site where he's hired, the salesperson is brought to headquarters for two weeks of training in CAD/CAM. Next, he's sent to the location where he'll be permanently assigned and works in a sales support role for six months. After that, he returns to headquarters for an advanced course on CAD/CAM, with the emphasis on integrated systems.

Lots of back-up

Team selling is used when the sales rep feels he's ready to close, Chiasson says, "because we back him up with a tremendous number of support people, such as account executives and industry specialists." He figures the company has three or four sales support people for every salesperson.

Compensation is strongly geared to incentives, he says, "because if you reward people for superior effort they are better motivated." A standout performer can earn well in excess of $100,000, he claims.

As part of the compensation plan, salespeople all sign individual contracts with the company. "There's no mandate that all of them should receive the same quota," Chiasson says. "Some of them will be more specifically dedicated toward a particular market."

Currently, all sales are made by the direct sales force. However, Chiasson does not rule out future changes in that policy. "As we move to low price, low margin products," he feels, "we'll probably have to evaluate alternative distribution channels." He adds that such changes won't occur before 1985—the year, he hopes, when Computervision's long day's night is ended. S&MM

NOTE

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Cov. 1, p. A5, A7-A10, A12,
A16, A19-A20, A23-A24,
A26-A28, A30, A32, A34, A38,
A40-A44, A46-A48, A50, A52,
A54, A56, B1, B3, B5, B7,
B9, B11, B13, B15-B17, B19,
B21, B23, B25, B27, B29,
B31, B33, B35, B37, B39,
B41, B43-B47, B49-B50,
B52-B55, C1-C12, C14-C16,
C18, C20-C24, C26, C28-C30,
C32, C34, C36, C38-C42,
C44-C48, C50-C52, C54,
C56-C62, C64-C65, C68-C72,
C74-C90, C92-C96, C98-C102,
C104-C106, C108-C114,
C116-C136, C138-C148,
C150-C152, C154-C162,
C164-C166, C168-C170,
C172-C180, C182, C184-C190,
C192-C202, C204-C210,
C212-C214, D1-D6, D8,
D10-D18.

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